

**ATTORNEY PROTECTIVE'S EXPLANATORY MEMORANDUM RESPONSES
TO THE CALIFORNIA DEPARTMENT OF INSURANCE'S
BULLETIN 2020-3**

If your company writes in one of the lines specified in Bulletin 2020-3 and has issued refunds for your policyholders, please explain all actions taken to date to refund premium in response to or consistent with this Bulletin. Please include California-specific information and an explanation and justification for the amount, effective date, and duration of any premium refund, and how those measures reflect the actual or expected reduction of exposure to loss. Please provide any relevant documents. Responses for question #: 2b, 4, and 5.

Attorney Protective ("AttPro") is committed to serving our customers in both favorable conditions and through challenging times. Our customers include attorneys and law firms. In California, we provide coverage on National Liability & Fire Insurance Company paper.

AttPro has analyzed its risks in the State of California and has determined that, at this time, we do not believe that the currently projected loss exposures have become overstated or misclassified, nor do we believe that the measure of risks has been substantially overstated as a result of the pandemic. In fact, many industry professionals expect that legal malpractice loss costs will likely increase. Some of the factors leading to the likely increase are:

- Lack of contingency planning for work-at-home
- Lack of back-up attorneys for attorneys who contract COV-19 or are unable to work due to family obligations
- Inconsistent and/or confusing deadlines and statute of limitations extensions
- Layoffs and/or furloughs creating more work for remaining attorneys
- Less access to support staff who are working from home or unable to work due to family obligations
- IT security issues, hackers, malware, or social engineering; working from a less secure environment
- New and constantly changing regulations/emergency orders creating difficulty in advising clients adequately
- Certain areas of practice ("AOPs") having more claims when economy is distressed, including real estate, business transactions, collections, estates, trusts, probate
- Certain AOPs having even more work than before including labor and employment attorneys
- Difficulty in providing effective advocacy remotely
- Greater scrutiny of contract wording, e.g. force majeure clauses
- Inadequate supervision of staff and associate attorneys in remote working environment
- Dabbling in AOPs due to clients' needs

As a result AttPro has determined that we will not be providing a blanket refund to all of our California insureds. AttPro already has and will continue to respond to requests for premium relief of any adversely impacted policyholder on a case-by-case basis after consideration of the individual risk characteristics as we recognize this unique situation does impact some firms negatively.

We feel the better approach is to deliver targeted relief to the firms adversely impacted, as well as maintaining financial adequacy needed to deliver stellar claims services, despite expected increases in claims activity. For example, AttPro has made subsequent adjustments for already bound renewal policies where the firm has identified a slowdown in activity. In addition, we have returned premium, upon

request, for eliminated positions despite continued prior acts coverage for those positions. AttPro will review requests for part-time discounts for attorneys who are now part-time despite their prior immediate exposure of full-time and prior acts. Any discounts adjusted at a policy renewal will be realized for the entire policy term and not just during the months in question. See the attached Worksheet for information relative to the impacted policyholders and amount of refunds.

That said, at a time when the COVID-19 pandemic is generating concerns and questions, we remain steadfast in our mission to support our customers with peace of mind, expertise and choice. To that end, AttPro is providing coverage clarifications and information resources, payment deferrals, and payment plans upon request to our customers in need.

Risk and information resources:

- AttPro has developed a website at <https://www.attorneyprotectivecovid-19.com/> to assist our customers with risk resources and information on pertinent issues.
- AttPro has developed specific risk resources for COV-19 that it is delivering to its policyholders via email and our website.

Payment deferrals:

- AttPro has postponed notices of cancellation for all outstanding premium payments until June 30, 2020 (or later as required by certain state executive actions).
- AttPro has suspended certain other collections activities with respect to premiums and deductible payments.

Coverage flexibility:

- AttPro is responding to coverage questions on a case by case basis as needed.
- AttPro has already made the coverage accommodation that notarization does not have to be done in person if it complies with COV-19 emergency orders relating to substitute methods of appearance, subject to all other provisions of the policy.

As we monitor the nation's response to the COVID-19 pandemic, AttPro intends to maintain these measures, and consider implementing new measures, for the duration of the pandemic or as otherwise directed by federal or state recommendations or orders.